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C O N F I D E N T I A L SECTION 01 OF 04 AMMAN 009226

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TAGS: [PGOV](#) [ECON](#) [SENV](#) [EINV](#) [ETRD](#) [SOCI](#) [JO](#) [IZ](#)  
SUBJECT: ZARQAWI'S HOMETOWN

Classified By: Charge d'Affaires David Hale for reason 1.4 (d)

¶1. (C) SUMMARY: Zarqa, Jordan's second-largest city, is the home of the bulk of Jordan's heavy industry and infamous terrorist Abu Musab Al-Zarqawi. Zarqa has been on a losing streak for the past decade. Underrepresented in the Jordanian government and the Parliament because of its large Palestinian population, the city's fading, old-style economy and serious pollution problems leave its largely young, poor, and unemployed population with little to hope for. As a result, disaffected youth are prey to extremist messages and recruitment. Aware of the dangers, the GOJ is trying to make the city more liveable and produce job growth. Unless and until these changes turn the city around, however, Zarqa seems likely to be an increasing source of problems for the GOJ. END SUMMARY.

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"JERSEY CITY" OF JORDAN  
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¶2. (SBU) Zarqa is not a pretty place. Stretching into Jordan's eastern desert, at the northeastern point of the crescent formed by the Greater Amman megalopolis, Zarqa presents the casual visitor with a bleak facade of row upon row of concrete blocks housing its lower-income population, on the outskirts of which lie scattered, smoke-belching factories. The city began as a settlement of Circassians and Chechens, established in 1902 and later linked to Damascus and the rest of the Ottoman Empire by the Hijaz railway. The establishment of first a British (later converted to Jordan Armed Forces) military base in the 1920s, and then a petroleum refinery in 1954, attracted Jordanians eager for work, and this population of economic immigrants was supplemented with political immigrants, as Zarqa (1948) and Rusaifeh (1967) refugee camps were erected around Zarqa after wars with Israel. The crossroads location of the city, the availability of water supplies, and the easy access to oil derivatives made Zarqa an attractive place in which to locate much of Jordan's heavy industry base, whose establishment was made possible by a closed Jordanian economy and a paternal GOJ posture towards such industry.

¶3. (SBU) The relatively recent and primarily private sector-driven expansion of Zarqa, along with the presence of the refugee camps, has left it with perhaps the highest concentration of Palestinian-origin Jordanians of any city in Jordan. The population of Zarqa is younger - and poorer - than that of Amman (though neither as young nor as poor as many of the areas of Jordan outside of the Greater Amman area) and Zarqa governorate has the lowest household income of any governorate in Jordan. The highly concentrated population, only a short bus ride from better-off Amman, does however seem uniquely suited for developing a culture of disaffection. If the role played by Amman in Jordan is something like New York City and Washington, DC rolled into one, Zarqa would best be described as Jordan's Jersey City.

¶4. (SBU) The unfortunate corollary of Zarqa's state-sponsored industrialization has been a level of pollution - in all forms - so serious and so obvious that Zarqa stands head and shoulders above the rest of the pack as Jordan's worst environmental hotspot. Successive Ministers of Environment have pointed to Zarqa as their number one priority, but with the exception of a recently completed, largely USAID-funded wastewater treatment plant, little has changed. The Ministry shut down a politically-connected steel plant earlier this year, but the plant has reopened with a grace period to implement a plan for reducing dust and smoke. The Zarqa Chamber of Industry has recently put forward a proposal in which several Chamber members would put up part of the startup money, supplemented with substantial USAID assistance, for a \$5 million industrial wastewater treatment plant, which they will run on a commercial basis. Both this group and the Ministry of Water, however, point to each other as the culprit in the lack of progress on this proposal.

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"THEY JUST DON'T GET IT"  
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¶5. (SBU) Once a kind of showpiece of Jordan's economy, Zarqa now seems increasingly out of step with King Abdullah's vision of a "new Jordan." The opening of Jordan's economy - its deregulation, lowering of tariff and nontariff barriers, and cutting of subsidies - has left old-line, heavy

industries of the kind that form the backbone of Zarqa increasingly exposed to more competitive imports. While Zarqa industry is far from collapse, its growth has slowed substantially, and the city's economic growth is no longer able to keep up with the expanding labor force. This fact is reflected in recently published Jordanian poverty statistics that show a nationwide fall in the poverty rate in the period 1997-2002 from 21.3 to 14.2 percent, but a rise in the poverty rate of Zarqa governorate - the only governorate in Jordan to show a rise over that period.

**16.** (SBU) Emblematic of the problems faced by Zarqa's industry is the Jordan Petroleum Refinery Co. (JPRC), the foundation of Zarqa's heavy industry base. The refinery's expensive construction, initially financed by Jordanian private sector stalwarts with substantial GOJ support, only made economic sense when paired with a 50-year concessional agreement that began in 1957. This concession gave JPRC the exclusive right to refine crude oil entering Jordan and to sell and import all oil derivatives, while limiting the company's profit margin to seven percent. In practice, as the GOJ Ministry of Energy was given the task of procuring crude supplies for JPRC, the Ministry would set the prices both of JPRC's inputs and final product in such a way as to guarantee that the profit margin did not fall below seven percent.

**17.** (SBU) This concessional agreement is now close to its expiration, the GOJ has announced its intention to end its expensive subsidy program within five years, and the JPRC, which has made only a few, incremental improvements since its foundation, now faces a stark choice: find \$700 million for a complete revamp of the refinery, or face probable extinction in the face of cheaper and higher-quality fuel product imports. The latter possibility would at a stroke wipe out a bulwark of Zarqa's middle class: the 6,000 relatively well-compensated refinery workers. The minor restructuring that JPRC has planned to date - spinning off and/or outsourcing non-core functions such as its fleet of delivery trucks - has already provoked the wrath of its powerful union, which has twice in the past two years extracted concessions from the refinery after threatening work stoppages.

**18.** (C) Coupled with the loss of their privileged status in the domestic market over the past five years, Zarqa, a industry has had to deal with the more recent loss of another protected market: Iraq. The fall of the Saddam regime in April 2003 marked the end of the Iraq-Jordan trade protocol, under which Iraqi oil was traded directly for Jordanian products. Jordanian industrialists took full advantage of this arrangement, setting up or expanding production of goods such as pharmaceuticals and vegetable oils. The trade of uncompetitive goods has not survived the end of the protocol, and some of the factories have consequently felt considerable pain. Adding insult to injury, Zarqa-based contractors and construction suppliers have had a difficult time securing contracts in the reconstruction of Iraq. (In a revealing statement, the Chairman of the Zarqa Chamber of Industry announced in April 2004 that due to the Chamber's moral opposition to the "occupation," his members would no longer continue their efforts to support Iraq's reconstruction. This measure would not negatively affect Zarqa's economy, he added, because his members weren't getting any contracts anyway.)

**19.** (SBU) Even in cases where opportunities do present themselves, Zarqawis show themselves to be no different than other Jordanians in picking and choosing the ones they will accept. The CEO of EAM Maliban, a recently established Sri Lankan garment factory at Ad-Dulayl Qualifying Industrial Zone (QIZ), on the outskirts of Zarqa, complained that after enduring tendentious bureaucracy in his quest to set up the factory and a training center, he had finally opened both, only to find that he could not attract even one serious applicant to the training center from the Zarqa region. In a subsequent meeting at the recently and expensively remodeled Zarqa Chamber of Commerce (which now boasts a machine that reads the fingerprints of the Chamber's few dozen employees upon their entry and exit, replacing the passe punch-card system), the Chamber's board members all regretted the inability of the factory to generate any interest in its jobs in a city with such high unemployment, but unanimously agreed that helping to solve this and similar problems was outside the Chamber's scope of work. Emboffs were then treated to a lecture elaborating on the common Jordanian argument that the current 85 JD (\$120) minimum monthly wage is too low to attract entry-level workers, who would rather remain unemployed, and positing a doubling of the minimum wage as a solution to this problem -- a rather surprising argument to hear from business owners.

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DISCONTENT FUELS ISLAMIST APPEAL  
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**10.** (SBU) According to the most recent census, around

775,000 persons reside in the Zarqa governorate, representing about 15 percent of Jordan's population. While there is no hard data on the number of residents who are of Palestinian origin, most analysts estimate a figure between 80 percent and 90 percent. As a result of electoral gerrymandering that favors rural, East Banker-dominated areas, only 10 out of 110 seats in the Lower House of Parliament are allotted to winning candidates from Zarqa (9 percent of the total seats).

Three of these 10 seats are currently held by members of the Islamic Action Front (IAF).

**¶11.** (C) MP Mohammad Arsalan (East Banker - Zarqa, 1st Dist.), told ECON/C and A/POL/C he was very concerned that Zarqa was becoming a "poor man's city." According to Arsalan, Zarqa's population growth has been primarily driven by poor Jordanians from rural areas who seek work in greater Amman, but who cannot afford the high cost of housing in the capital. Instead, they live in nearby, cheaper Zarqa. The resulting concentration of poverty in Zarqa has led to increased social problems, a sense of discontent among many, and an exodus of wealthier residents, Arsalan added. Recent GOJ initiatives to improve the quality of life in Zarqa are suggestive of the dismal state of Zarqa's public services: a planned government hospital in Zarqa announced by the Minister of Health, for example, would double the number of beds available to Zarqawis - to a still unsatisfactory 820.

**¶12.** (C) Arsalan's concerns were echoed by MP Marzouq Habarneh (East Banker, - Zarqa, 4th Dist.). Habarneh told Acting Pol Counselor that he was particularly troubled by growing restlessness among idle, unemployed young men in Zarqa and stepped-up efforts by Islamists to reach out to them. With no jobs and an uncertain future ahead of them, these young men are increasingly turning to Islam - including extremist strains - to find hope and solace, said Habarneh. (NOTE: Habarneh confirmed that at least one of the unlicensed preachers detained by the GOJ in October - see reftel - was operating in Zarqa.) This trend was bolstering the strength of the already influential Muslim Brotherhood in Zarqa, whose active network of charitable contributions and distribution of donated goods further broadened their popular appeal.

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A FEW POINTS OF LIGHT  
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**¶13.** (SBU) The GOJ - in particular, King Abdullah - views these developments with some dismay, and is moving ahead on several projects (such as the new hospital mentioned above) to improve the climate within Zarqa. The most ambitious of these projects is Zarqa New Garden City, a urban renewal plan under development by Mawared, a public-private land development partnership modeled on Beirut's Solidere company which rebuilt that city's downtown zone. Zarqa New Garden City will be developed in several tranches on the 2500-hectare (6,178-acre) former military base, which fronts the main downtown street of Zarqa. The initial \$900 million tranche of the development - the infrastructure for which is planned for a mid-2005 completion - will create an attractive, mixed-use, multi-income neighborhood. Mawared hopes to tap what they believe to be an unexploited market among better-off Zarqawis seeking a better quality of life. It is also targeting the local managerial class, most of whom now live in affluent western Amman but might want a shorter commute. The goal is to make life in Zarqa a slightly lower-cost alternative to western Amman, with access to all of the amenities of the latter. To this end, the GOJ has tendered a feasibility study on a light rail connection between the Abdali district of western Amman and the western edge of this new development. The development would boost the local job market, as new, well-off Zarqawis kept their spending in Zarqa instead of making the trek to the malls of western Amman. Just as important, the GOJ believes that the development will instill hope among Zarqawis that Zarqa is "going somewhere."

**¶14.** (SBU) Older GOJ initiatives are bearing more tangible fruit. Ad-Dulayl QIZ and the idiosyncratic one-factory El-Zay QIZ are posting impressive growth figures (e.g., 39 percent growth in exports from Ad-Dulayl over last year) and already account for over sixty percent of Zarqa's total exports. The QIZs are also stimulating local employment, despite the apparent lack of active interest by the local population alluded to by EAM Maliban. QIZ factory owners are doing their best to recruit Jordanian staff. Even the imported laborers, who still form a majority at Ad-Dulayl, have provided substantial knock-on benefits to the local economy (evidenced by store signs lettered in Tamil); the local population of the village surrounding Ad-Dulayl has quadrupled since the QIZ was founded, a clear sign that those workers who are willing to put the effort in can each a point beyond entry-level where they can make a livable wage.

**¶15.** (SBU) The Zarqa Free Zone, established by government order in 1983 and the crown jewel of Jordan's Free Zones Corporation, has also been the site of substantial growth and job creation. The zone, which has volume of trade five times

as large as the combined total of Jordan's other three public free zones, saw its combined incoming and outgoing trade grow 66 percent in 2003 over 2002, largely due to the dramatic expansion in transit trade to Iraq. However, some of the new activity in the zone (e.g., Jordan's first assembly plant for "SamSync" branded personal computers, scheduled to open in November), show longer-term prospects for job growth. Zarqa Free Zone estimates the number of people working inside it at roughly 2,000, and innovative projects like SamSync seem likely to drive this number further.

¶16. (C) Apart from government and private industry, civil society groups are starting to play an active role in meeting the needs of Zarqa residents. Community and women's rights activist Nadia Bushnaq, for example, has established a thriving center in Zarqa that provides a variety of services, aimed primarily at women, that include computer classes, vocational training, legal advice, abuse counseling, and a job bank that matches potential employers with those looking for work. During a tour of the center, which has expanded its programs several times since (in part with USG funds), Bushnaq told Emboffs that due in part to the influx of the rural poor (many with limited education and job skills), social problems in Zarqa ranging from drug use to spousal abuse were unfortunately on the rise. According to a survey that her center conducted, approximately 50% of households in Zarqa contained at least one adult who was unemployed or underemployed. While Bushnaq was justifiably proud of the center's work, she said that their resources were limited and more civil society groups were urgently needed to provide assistance in Zarqa.

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ZARQA'S MOST (IN)FAMOUS SON  
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¶16. (SBU) Ahmed Fadil Nazzal Al-Khalayleh is Zarqa's best known, if not favorite, son. Under the nom de guerre Abu Mus'ab Al-Zarqawi, he has indelibly linked Zarqa with terrorism. Zarqawi himself is not particularly representative of Zarqa, however. An East Banker born to the Bani Hassan, Jordan's largest tribe, he stands in sharp contrast to the vast Palestinian majority in Zarqa, most of whom have never lived anywhere else.

¶17. (C) While Zarqawi's background may be an anomaly for Zarqa, his brand of disaffection is not, and his message finds takers among East Bankers and Jordanian-Palestinians alike. The relative economic decline, rising poverty, and political underrepresentation of Zarqa have created a large underclass of young men with few prospects, for whom Zarqawi's revolutionary Salafist call to action offers the illusion of a purposeful life. The royal interest in revitalizing Zarqa - if only to present an alternative vision to its youth - is prudent, but the GOJ's plans will take some time to bear fruit. The growth in new industries is more promising, but we are not convinced this will be enough in the near term to offset the decline of some of the mainstays of Zarqa's economy. Zarqa will remain a concern for the regime for the foreseeable future.

HALE